

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

A REVIEW OF THE GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
AND THE 50TH ANNIVERSARY CELEBRATION
OF THE GOLDEN GATE BRIDGE

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-745

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TRANSPORTATION DISTRICT AND THE 50TH ANNIVERSARY
CELEBRATION OF THE GOLDEN GATE BRIDGE

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Auditor General

October 1, 1987

P-745

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the Golden Gate Bridge, Highway and Transportation District and the 50th anniversary celebration of the Golden Gate Bridge.

Respectfully submitted,



for THOMAS W. HAYES
Auditor General

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SUMMARY

RESULTS IN BRIEF

The Golden Gate Bridge, Highway and Transportation District (district) did not adequately supervise the fiscal transactions of the Friends of the Golden Gate Bridge (Friends of the Bridge) as required by the bylaws of the Friends of the Bridge. As of July 31, 1987, the Friends of the Bridge had incurred debts of \$1.17 million, \$1.1 million of which they were unable to pay. The Friends of the Bridge incurred the debts for the 50th anniversary celebration of the Golden Gate Bridge (bridge). The debts occurred because the Friends of the Bridge collected revenues of only \$1.25 million while they incurred expenses of \$2.36 million. The Friends of the Bridge owed over \$207,000 to the district, over \$554,000 to a bank, and over \$409,000 to their staff and to various vendors and consultants. The district is not legally obligated to pay the bank debt of the Friends of the Bridge. However, the district and the Friends of the Bridge are currently exploring alternatives to resolve the inability of the Friends of the Bridge to pay their debts, and they are negotiating the various options available with the creditors of the Friends of the Bridge.

In addition, because the Friends of the Bridge were unable to raise enough funds to pay for several projects they began, the district provided \$614,200 to light the bridge towers, \$179,300 to restore the visitors' center, known as the Roundhouse, and \$162,500 to complete two gardens near the bridge's toll plaza. The president of the district's board of directors stated that the funding of the projects was justified because the projects had improved district property, increased the earnings from the Roundhouse, and enhanced celebration-day events. For example, the district's earnings from the Roundhouse have increased over 460 percent from the sale of merchandise.

BACKGROUND

The district operates and maintains the bridge. In addition, the district provides bus services throughout San Francisco, Marin, and Sonoma counties. Also the district provides ferry services between San Francisco and Marin counties.

The 50th anniversary of the opening of the bridge was celebrated on May 24, 1987. Numerous agencies participated in the celebration, including the district and the Friends of the Bridge. The district established the Friends of the Bridge as a nonprofit, public benefit corporation. The district controls the Friends of the Bridge since the district is the sole member of the Friends of the Bridge and appoints members of its board to their board of trustees. Also, the bylaws of the Friends of the Bridge require that the district approve all major policies, plans, programs, and operating and capital budgets of the Friends of the Bridge.

PRINCIPAL FINDINGS

Poor Fiscal Controls Over the Friends of the Bridge for the 50th Anniversary Celebration of the Golden Gate Bridge

The district did not use its authority to supervise the Friends of the Bridge to ensure that the Friends of the Bridge conducted their operations in a fiscally sound manner. Since the inception of the nonprofit corporation in December 1984 until July 1987, the Friends of the Bridge incurred expenses of \$2.36 million while only collecting revenues of \$1.25 million. Since revenues were insufficient, the Friends of the Bridge borrowed funds from the district and a bank to continue its operations. As of July 31, 1987, the Friends of the Bridge owed over \$207,000 to the district, approximately \$554,000 to the bank, and over \$409,000 for services provided to the Friends of the Bridge by their staff and by various vendors and consultants. Although

the district controls the Friends of the Bridge, the district is not legally obligated to pay the bank debt of the Friends of the Bridge.

The Friends of the Bridge and the district are currently exploring alternatives to resolve the inability of the Friends of the Bridge to pay their debts, and they are negotiating the various options available with the creditors of the Friends of the Bridge. However, the district stated that its board of directors does not intend to use bridge-toll or transit revenues to meet the obligations of the Friends of the Bridge.

In addition, the Friends of the Bridge were unable to raise enough revenue to complete several celebration projects that they began. The Friends of the Bridge raised \$432,100 of over \$1.0 million needed to light the bridge towers and \$92,500 for two gardens near the bridge's toll plaza. To complete the projects, the district provided approximately \$956,000, which consisted of \$614,200 for the lighting of the bridge towers, \$179,300 to restore the visitors' center, and \$162,500 for the two gardens. The president of the district's board of directors stated that the funding of the projects was justified because the projects had improved district property, increased the earnings from the Roundhouse, and enhanced celebration-day events. For example, the district's earnings from the Roundhouse have increased over 460 percent from the sale of merchandise.

Other Information
Related to the District

In response to a request from the Legislature, we gathered the following information related to the district's operations:

- The bridge operations are entirely self-supporting with toll revenues exceeding bridge expenditures;
- From fiscal year 1982-83 through fiscal year 1986-87, the district used excess bridge-toll revenues to subsidize the bus and ferry services;

- The district adjusts the bus and ferry services to match changing levels of patronage. The district reduced its commuter bus service by 17 percent in July 1987 and 9 percent in July 1986. However, in November 1985, the district increased ferry service;
- The district paid a total of \$173,200 in fiscal year 1986-87 for members of its board of directors, including \$59,100 for director fees. The district pays \$50 to its members for each day that the members attend a board or committee meeting;
- In Marin and Sonoma counties, the district owns a 2.5 mile section of railroad right-of-way and is attempting to purchase another portion of the remaining right-of-way for future transit use. Currently, the district and other agencies are studying possible transit uses for the right-of-way. The right-of-way consists of the railroad tracks and real property located near Highway 101;
- To attempt to accommodate traffic on the bridge, the district changes the bridge's lane directions. However, because the district does not want to penalize one group of travelers for the benefit of another group, the district's policy is not to take a lane away from one direction until the traffic volume in that direction can be accommodated by the remaining lanes.

RECOMMENDATIONS

The district should continue its efforts to resolve the inability of the Friends of the Bridge to pay their debts, including the loan of \$200,000 and the interest of over \$7,000 that the Friends of the Bridge owe to the district. However, the district should not pay or assume the debts of the Friends of the Bridge when their debtors have no legal claim against the district.

In addition, to avoid similar problems in the future, the district should exercise more prudent control over the actions of the Friends of the Bridge if they ever decide to undertake additional projects.

AGENCY COMMENTS

In its response to the report, the Golden Gate Bridge, Highway and Transportation District states that it disagrees with the statement that the district failed to adequately supervise the fiscal transactions of the Friends of the Golden Gate Bridge. The district believes that it instituted comprehensive fiscal controls over the Friends of the Bridge, including segregation of accounts and regular preparation and presentation of financial statements to the district's board of directors. Also, the district reasonably believed, based on reports presented to it from firms experienced in comparable fundraising programs, that sufficient revenues would be generated through corporate sponsorships, licensing of products, and the sale of goods to fully finance the anniversary events. Further, the district stated the capital projects partially financed by the district, consisting of the bridge-tower lighting, the Roundhouse renovation, and the commemorative gardens, constitute permanent improvements that benefit the district. (See page 49 for the complete text of the district's response to our report.)

INTRODUCTION

The Golden Gate Bridge, Highway and Transportation District (district) operates and maintains the Golden Gate Bridge (bridge) that connects San Francisco and Marin counties. Approximately 120,000 vehicles cross the bridge each day. Also, the district provides bus service throughout San Francisco, Marin, and Sonoma counties. The district also provides bus service within Marin County under a contract with the Marin County Transit District. As of July 1987, the district operated 238 buses and, during fiscal year 1986-87, transported approximately 8.0 million passengers. In addition, the district operates four ferries. During fiscal year 1986-87, the district ferried approximately 1.4 million passengers between Marin and San Francisco counties.

As specified by the California Streets and Highways Code, the district is managed by a 19-member board of directors, which is responsible for establishing policies, approving the plans of the district, and authorizing the expenditures of funds. The 19 members represent the counties within the district. Nine members represent San Francisco; four represent Marin County; three represent Sonoma County; and the remaining three represent Napa, Mendocino, and Del Norte counties. The board of directors appoints the general manager of the district, who is responsible for the operation of all district activities and construction and maintenance. In addition to the general manager, the board also appoints an auditor, a secretary, and an attorney.

The 50th Anniversary Celebration of
the Opening of the Golden Gate Bridge

The bridge is one of the world's greatest suspension bridges and is a connecting link on Highway 101 between the counties of San Francisco and Marin. The 50th anniversary of the opening of the bridge was celebrated on May 24, 1987. In December 1984, the district established a nonprofit, public benefit corporation, known as the Friends of the Golden Gate Bridge (Friends of the Bridge). The district used the Friends of the Bridge to plan the anniversary celebration. The district is the sole member of the Friends of the Bridge, whose goals are to provide for the "historical glorification and edification of the bridge" and to establish a transportation museum. The district appoints the members to the board of trustees of the Friends of the Bridge; the number of trustees cannot be less than three or more than nine. According to the bylaws of the Friends of the Bridge, a majority of the trustees must always be members of the district's board of directors. As of September 1987, the board of trustees consisted of five members who were originally appointed in February 1985 and who are also members of the district's board of directors. The general manager of the district is the chief executive officer of the Friends of the Bridge.

In December 1985, the Friends of the Bridge contracted with a consultant to develop a master plan for the 50th anniversary of the bridge. In May 1986, the board of trustees adopted and the district's board of directors approved the master plan as the official plan for

the 50th anniversary celebration. The adopted plan included proposals to establish a permanent museum, light the bridge towers, focus national and international attention on the bridge through anniversary events, promote tourism in the Bay area, and ensure a permanent display of bridge memorabilia.

Also, included as part of the plan for the 50th anniversary celebration was a budget that included proposals to raise \$21.9 million from corporate sponsors, licensing, gifts, and earned revenue. From the \$21.9 million budget, the Friends of the Bridge proposed to spend \$10.0 million for the permanent museum, \$2.4 million for the bridge lighting, \$1.2 million for a temporary museum and the Roundhouse (a visitors' center located near the toll plaza in San Francisco), \$1.7 million for celebration events, \$4.9 million for administration, fundraising, advertising, and public relations, and \$1.7 million for a televised pageant. However, by October 1986, the Friends of the Bridge had raised only a small portion of the revenue that they had planned to collect and had spent most of those funds on their administrative costs. Because of their lack of funds, the Friends of the Bridge substantially reduced their plans for the celebration. (Appendix A presents a statement of revenues and expenses for the Friends of the Bridge.)

In April 1987, to ensure a successful celebration, the mayor of San Francisco became involved in the celebration fundraising. Since the Friends of the Bridge were unable to raise enough funds for the

celebration, the mayor provided funding and staff through a nonprofit corporation known as the San Francisco Special Events Committee (committee). The committee raised approximately \$706,000 from various corporate sponsors and donors and spent its funds on various events on the day of the celebration including fireworks, concerts, and a carnival. (Appendix B presents a statement of deposits and expenses for the San Francisco Special Events Committee.)

The district also provided funds for the celebration. The district loaned \$700,000 to the Friends of the Bridge, \$500,000 of which was repaid. Also, the district provided \$614,200 for the lighting of the bridge towers, \$179,300 for the restoration of the Roundhouse, \$162,500 for the Commemorative and Friendship gardens at the bridge's toll plaza, and over \$149,000 for events that occurred on the day of the celebration. (Appendix C presents a statement of sources and uses of funds for the district.)

Scope and Methodology

The primary purpose of this audit was to determine the financial effect of the 50th anniversary celebration on the district. We determined the amount of funds that the district and the Friends of the Bridge collected and spent for the 50th anniversary celebration. We reviewed the celebration events that the district and the Friends of the Bridge sponsored for the day of the celebration. We also reviewed the capital projects related to the bridge celebration, including the

lighting of the bridge towers, the restoration of the Roundhouse, and the completion of the gardens at the bridge's toll plaza. In addition, we met with officials of the Friends of the Bridge to discuss our findings on the 50th anniversary celebration. In preparing this report, we considered their comments.

In addition to reviewing the celebration activities of the district and the Friends of the Bridge, we obtained a statement of deposits and expenditures from the San Francisco Special Events Committee. However, we did not review the accuracy of this statement since our review focused on the operations of the district and the Friends of the Bridge. We also did not review the involvement of numerous other governmental agencies that participated in the bridge celebration. These organizations included the California Highway Patrol, the California Department of Transportation, local fire and police departments, and other public safety organizations.

For fiscal year 1982-83 through fiscal year 1986-87, we also reviewed the annual reports of the revenues and expenditures of the bridge and the bus and ferry services of the district. In addition, we reviewed the district's adjustments of its bus and ferry services. Moreover, we reviewed the costs related to the board of directors, including director fees and travel costs. Further, we reviewed the actions the district took to acquire the railroad right-of-way in Marin and Sonoma counties, and we reviewed federal legislation that authorizes the establishment of a highway project on the right-of-way.

Furthermore, we reviewed the district's use of state funds for the right-of-way. Finally, we obtained information on the district's criteria for changing lane directions for traffic on the bridge.

CHAPTER I

POOR FISCAL CONTROLS OVER THE FRIENDS OF THE GOLDEN GATE BRIDGE FOR THE 50TH ANNIVERSARY CELEBRATION OF THE GOLDEN GATE BRIDGE

As of July 31, 1987, the Friends of the Golden Gate Bridge (Friends of the Bridge) could not pay over \$1.1 million to their creditors. The Friends of the Bridge incurred these debts for the 50th anniversary celebration of the opening of the Golden Gate Bridge (bridge), owing over \$207,000 to the Golden Gate Bridge, Highway and Transportation District (district), over \$554,000 to a bank, and over \$409,000 to their staff and to various vendors and consultants. The Friends of the Bridge incurred these debts because the district did not supervise the Friends of the Bridge to ensure that their operations were conducted in a fiscally sound manner. However, although the district controls the Friends of the Bridge, the district is not liable for their bank debt. The district and the Friends of the Bridge are currently exploring alternatives to resolve the inability of the Friends of the Bridge to pay their debts, and they are negotiating the various options available with the creditors of the Friends of the Bridge.

In addition, the Friends of the Bridge raised only \$524,600 of the \$1.48 million that was needed to pay for four projects that they began. As a result, the district provided \$956,000 to complete the projects. The district provided \$614,200 for the temporary and permanent lighting of the bridge, \$179,300 to restore the visitors'

center, known as the Roundhouse, and \$162,500 to complete two gardens at the south end of the bridge. In addition, the district may have to pay up to \$139,500 in disputed costs to three garden contractors. Further, the district must spend additional funds for materials and labor to replant a portion of the gardens. The president of the district's board of directors stated that the funding of the projects was justified because the projects had improved district property, increased the earnings from the Roundhouse, and enhanced celebration-day events. For example, the district's earnings from the Roundhouse have increased over 460 percent from the sale of merchandise.

THE FRIENDS OF THE GOLDEN GATE BRIDGE
COULD NOT PAY MOST OF THEIR CREDITORS

Since their inception in December 1984 until July 31, 1987, the Friends of the Bridge have incurred expenses of \$2.36 million while only collecting revenues of \$1.25 million. Since their revenues were insufficient to pay their expenses, the Friends of the Bridge borrowed funds and incurred debts to continue their operations. The debts of the Friends of the Bridge exceeded their assets by approximately \$1.1 million. (Appendix A presents a statement of revenues and expenses for the Friends of the Bridge.)

The Friends of the Bridge Owe Approximately
\$1.17 Million to Their Creditors

The district loaned the Friends of the Bridge \$75,000 in December 1985 and \$125,000 in May 1986. The two loans total \$200,000 with the remaining interest on the loans totaling over \$7,000. The principal and interest were due on May 27, 1987. The district advanced the \$200,000 to the Friends of the Bridge to enable them to initiate marketing and fundraising operations for the celebration of the 50th anniversary. The loans came from earnings from the sale of items at the district's gift center and not from bridge-toll funds. The loan agreement specified that the interest would be computed at a rate equal to the average yield on all of the invested funds of the district, which was approximately 6.6 percent. The loan agreement also specified that the district has a continuing security interest in all tangible and intangible personal property of the Friends of the Bridge.

In response to our request for a legal opinion on the propriety of the district loans to the Friends of the Bridge, the Legislative Counsel concluded that the district was authorized to loan its funds to the Friends of the Bridge. In addition, the attorney for the district concluded that the loans constituted a proper and lawful act of the district that did not violate the prohibition in the California Constitution against the use of public funds for the aid of any person, association, or corporation.

The Friends of the Bridge owe a bank \$554,000. They borrowed \$530,000 from the bank and owe interest on the loan totaling over \$24,000. The principal and interest were due on June 30, 1987. The Friends of the Bridge borrowed the funds from the bank on December 31, 1986, to pay a \$500,000 loan and almost \$30,000 in interest that the Friends of the Bridge owed to the district. The district's loan to the Friends of the Bridge was due on December 31, 1986. Without the bank loan, the Friends of the Bridge did not have enough assets to pay the district for its loan.

In a letter to the bank, dated December 29, 1986, the president of the district's board of directors acknowledged that the bank's loan to the Friends of the Bridge was at the specific request of the district to satisfy an outstanding debt that the Friends of the Bridge owed to the district. Also, the district stated that as sole member of the Friends of the Bridge, the district would use its "best efforts to assure" that the celebration would be carried out in a fiscally prudent manner so that the Friends of the Bridge could repay the loan. However, the district did not agree to pay the bank loan if the Friends of the Bridge were unable to pay the loan and interest. The district did agree to maintain all its operating accounts with the bank and maintain sufficient balances in the accounts to cover the bank's service costs (before the date of the bank's loan, the district had maintained its bank accounts with another bank).

Also, as part of the loan agreement, the Friends of the Bridge granted the bank a security interest in net proceeds from all of the rights and titles to and interest in all licensing agreements, contracts, and intangibles of the Friends of the Bridge. However, officials of both the Friends of the Bridge and the district stated that the security given to the bank is insufficient to repay the loan as of June 30, 1987.

The Legislative Counsel has concluded that the bank has no legal basis on which it could recover its monies from the district should the Friends of the Bridge default on the bank loan. The Legislative Counsel also stated that the district is not liable in any manner for the bank debt. The attorney for the district also concluded that the district is not liable for the bank debt of the Friends of the Bridge.

Finally, as of July 31, 1987, the Friends of the Bridge owed approximately \$238,000 to eight consultants whose activities included raising funds and conducting public relations for the Friends of the Bridge. Based on our review of written agreements between the Friends of the Bridge and these consultants, the district would not be liable for payment to the eight contractors. In addition, the Friends of the Bridge owed their own staff and various vendors approximately \$171,000 for general administrative expenses.

The District Permitted the Friends of
the Bridge To Incur Debts That the
Friends of the Bridge Cannot Pay

Although the district controls the Friends of the Bridge and approved their major decisions as required in the bylaws of the Friends of the Bridge, the district did not supervise the operations of the Friends of the Bridge to ensure that the 50th anniversary celebration was conducted in a fiscally sound manner. The district controls the Friends of the Bridge because it is the sole member of the Friends of the Bridge and appoints the board of trustees who are also all members of the district's board of directors.

The bylaws of the Friends of the Bridge require that the Friends of the Bridge obtain the approval of the district before they commit themselves to major policies, plans, programs, or decisions. Also, the bylaws require that the district approve operating and capital budgets and that the Friends of the Bridge obtain the district's approval to borrow funds for periods of one year or less. Furthermore, the Friends of the Bridge may not purchase, sell, lease, dispose, exchange, give, pledge, or encumber their assets without the approval of the district. Finally, the bylaws require the district's approval for all transactions outside the ordinary course of business.

The district allowed the Friends of the Bridge to continue to spend funds and incur debts for the celebration when the district was aware that the Friends of the Bridge were collecting insufficient

revenues. The district was fully aware of the poor financial condition of the Friends of the Bridge because the district maintained the accounting records of the Friends of the Bridge. For example, the district's accounting department reviewed all requests for disbursements to determine if the need for the disbursement was adequately documented. After approving the request, the district prepared and issued the disbursement checks. Further, the district prepared monthly financial statements for the Friends of the Bridge that showed that they had insufficient assets to pay their liabilities. During the entire period from the inception of the Friends of the Bridge in December 1984 until the day of the celebration on May 24, 1987, the Friends of the Bridge never collected enough revenues to pay for their expenses. Further, according to the Friends of the Bridge, the district did not request and the Friends of the Bridge did not submit a revised plan for a smaller celebration.

The general manager of the district stated that the district permitted the Friends of the Bridge to continue spending funds and incur debts because the district relied on the Friends of the Bridge for estimates of anticipated revenues. The Friends of the Bridge told the district that enough revenues would be collected from major donors and licensing. However, the Friends of the Bridge were unsuccessful in obtaining enough revenues to pay for their operations. For example, during a campaign that began in November 1986 to raise \$250,000 or more in donations, the Friends of the Bridge requested a donation of \$5,000 from each of 85 potential donors from the San Francisco area, but the Friends of the Bridge raised only \$25,000 from the campaign.

The District May Not Pay or
Assume the Debts of the
Friends of the Bridge

The Friends of the Bridge and the district are currently exploring alternatives to resolve the inability of the Friends of the Bridge to pay their liabilities, and as of September 1987, the Friends of the Bridge and the district are negotiating the various options available with the creditors of the Friends of the Bridge. Alternatives include declaring bankruptcy, renegotiating the loan agreements of the Friends of the Bridge with the bank and the district, or paying some creditors and using revenues from the Roundhouse to pay the remaining creditors. However, the district stated that it has no intention of using bridge toll or transit revenues to repay the debts of the Friends of the Bridge.

To assist us in determining the potential liability of the district, we requested a legal opinion on whether the district could pay or assume the debts of the Friends of the Bridge. The Legislative Counsel stated that, except for obligations of the Friends of the Bridge for services or materials not yet provided, the district may not pay or assume the debts of the Friends of the Bridge when a debtor has no legal claim against the district. Further, the Legislative Counsel stated that no perceivable benefit to the public can result from the district's payment of the debts of the Friends of the Bridge unless those debtors have a legal claim against the district. However, the Legislative Counsel stated that the district could assume a contract made but not yet executed if the district finds that assuming the contract would be in the best interest of the district.

In addition, the Legislative Counsel stated that the courts have determined that an appropriation of public funds based solely on a moral obligation to compensate for services or property previously rendered to the public is not an adequate basis for paying compensation. Such compensation is a gift of public funds and Section 6 of Article XVI of the California Constitution prohibits the Legislature from authorizing a gift of public money to any individual or corporation.

THE GOLDEN GATE BRIDGE, HIGHWAY AND
TRANSPORTATION DISTRICT PAID FOR
FOUR PROJECTS THAT THE FRIENDS OF THE
GOLDEN GATE BRIDGE COULD NOT COMPLETE

The master plan by the Friends of the Bridge for the 50th anniversary celebration included a proposal to raise enough revenues to pay for three of four projects. In May 1986, both the district's board of directors and the board of trustees of the Friends of the Bridge adopted the master plan as the official plan and budget for the celebration. In the master plan, the Friends of the Bridge planned to raise \$2.4 million to fund the permanent illumination of the bridge towers. The plan stated that the lighting of the bridge towers was to be the main focus during efforts to raise funds and conduct public relations. Also, in the master plan, the Friends of the Bridge envisioned raising \$200,000 for the restoration of the Roundhouse to serve as a visitors' center and a sales area. Further, the master plan stated that the Friends of the Bridge would raise \$24,830 for a commemorative garden. Finally, the district agreed, in May 1987, to

pay up to \$50,000 for the temporary lighting of the bridge on the day of the celebration with the understanding that the Friends of the Bridge would make every effort to raise the \$50,000.

Since their inception in December 1984 until July 1987, the Friends of the Bridge raised only \$524,600 for the four projects. The Friends of the Bridge received \$432,100 for the permanent lighting of the bridge towers, raising \$420,000 from one corporate donor and \$12,100 from six other donors. For the gardens, the Friends of the Bridge raised \$92,500 from one corporate donor. The Friends of the Bridge did not raise any funds for the temporary lighting of the bridge or the Roundhouse. However, the Friends of the Bridge did obtain goods and services from various donors, without which the total cost of the four projects would have been higher.

The Friends of the Bridge and the district stated that the failure of the Friends of the Bridge to raise enough revenues occurred because the master plan for the celebration received negative publicity that caused potentially major donors not to contribute to the Friends of the Bridge. Further, the Friends of the Bridge stated that the negative publicity reduced the potential for licensing revenue. Also, the negative publicity limited the ability of the Friends of the Bridge to secure community leadership. In addition, the Friends of the Bridge stated that a separate promoter, attempting to organize an unofficial 50th anniversary celebration, created confusion among corporate donors. As a result, some corporate donors decided not to contribute to the

50th anniversary celebration. Furthermore, officials of the Friends of the Bridge and the district believed that the Friends of the Bridge did not begin their fundraising activities early enough to raise sufficient funds. Finally, during early 1986, the Friends of the Bridge suffered organizational problems.

In May 1986, the district's board of directors adopted the 1986-87 budget for the district that included expenditures for capital projects. While none of the four celebration projects were included in the approved budget, the district's board of directors approved three of the four projects in separate board resolutions during the fiscal year. The board approved the fourth project--temporary bridge lighting--as a contract to be paid for from unrestricted reserves. The board approved the permanent lighting of the bridge in January 1987 with an appropriation of \$1,000,000, approved the restoration of the Roundhouse in December 1986 with an appropriation of \$177,500, approved the completion of the gardens in April 1987 with an appropriation of \$165,000, and approved the temporary lighting of the bridge in May 1987 with an appropriation of \$50,000.

The board of directors agreed to provide the funding for these four projects to ensure that the projects were completed by May 24, 1987--the day of the celebration. Further, according to the president of the district's board of directors, the funding of the four projects for the celebration did not cause the deferral of any budgeted capital projects. The president of the district's board of directors

stated that the funding for the permanent lighting of the bridge, for the restoration of the Roundhouse, and for the completion of the two gardens was justified because these projects had permanently improved district property. Further, the president stated that the district expected a dramatic increase in earnings from the Roundhouse. Finally, the president stated that the funding for the temporary lighting of the bridge was justified since the lighting was necessary to enhance the firework presentation and television coverage on the day of the celebration.

The Lighting of the Bridge

In their master plan, the Friends of the Bridge estimated that to permanently light the bridge towers would cost approximately \$2.4 million. However, the actual cost of the permanent lighting was approximately \$1.0 million, 42 percent of the original cost estimate. The Friends of the Bridge provided \$432,100 (43 percent) and the district provided the remaining \$569,000 (57 percent) from its unrestricted reserves. The funding paid for the installation of 48 lights to illuminate the two bridge towers at night. Each month, the district pays approximately \$450 in electricity costs to keep the towers illuminated.

In addition, the district appropriated \$50,000 for the temporary lighting of the bridge on the day of the celebration. However, the actual cost was \$45,000, which is \$5,000 lower than the

original appropriation. The temporary lighting was used during the fireworks display, during the ceremony to celebrate the permanent lighting of the bridge towers, and during the televised coverage of events. The district used unrestricted reserves to pay for the temporary lighting.

The Restoration of the Roundhouse

The Roundhouse is located near the toll plaza on the south side of the bridge. The cost to completely remodel and restore the Roundhouse as a visitors' center and sales area was \$179,300. However, the master plan estimated that to restore the Roundhouse would cost approximately \$177,500. Therefore, the actual cost was higher than the original budget by approximately \$1,800. The district provided all of the funding from the district's Museum Fund, whose sources of revenue include income from book sales and bridge memorabilia; bridge toll and transit revenues are not included in the Museum Fund.

Since the restoration of the Roundhouse as a visitors' center and sales area, the district's earnings have increased over 460 percent from the sale of merchandise. Between May 1 and July 31, 1987, the district earned \$163,500 compared with earnings of only \$34,900 for the same period in the previous year.

The Completion of the Gardens

The Friendship and Commemorative gardens are located near the south end of the bridge by the toll plaza. The cost to install and landscape these gardens is at least \$255,000. The Friends of the Bridge provided \$92,500 for the gardens while the district provided \$162,500. In addition, the district may have to pay up to \$139,500 in disputed costs to three contractors. Further, the district plans to replant a portion of the gardens to replace plants that were damaged on the day of the celebration. The district estimates that the cost of the new plants and materials will be approximately \$2,900. The district will use its own personnel to perform the work.

The master plan estimated that the Commemorative Garden would cost \$24,830, including the costs for contract administration. However, after a donor offered to pay \$92,500 for the Commemorative Garden, the Friends of the Bridge and the district established a new plan for two gardens, the Commemorative Garden and the Friendship Garden. Although the district and the Friends of the Bridge revised the estimated costs of the two gardens to approximately \$240,000 after obtaining the donation of \$92,500, the actual cost of the gardens was higher than even the revised estimate. Officials of the district stated that the original design for the gardens did not include adequate funds to pay for structural work needed to support the foundations of the gardens.

CONCLUSION

The Golden Gate Bridge, Highway and Transportation District allowed the Friends of the Golden Gate Bridge to incur debts of \$1.17 million, \$1.1 million of which they were unable to pay as of July 31, 1987. The inability of the Friends of the Bridge to pay their debts occurred because the Friends of the Bridge incurred expenses of \$2.36 million while collecting revenues of only \$1.25 million. The Friends of the Bridge also raised \$524,600 of the \$1.48 million that they needed to pay for four projects. As a result, the district completed the projects, providing \$614,200 to complete the temporary and permanent lighting of the bridge, \$179,300 to restore the visitors' center, known as the Roundhouse, and \$162,500 to complete two gardens at the south end of the bridge. Further, the district may have to pay up to \$139,500 in disputed costs to three contractors who worked on the gardens. Finally, the district must spend additional funds for materials and labor to replant a portion of the gardens.

RECOMMENDATIONS

The Golden Gate Bridge, Highway and Transportation District should continue its efforts to resolve the inability of the Friends of the Golden Gate Bridge to pay their debts, including the loan of \$200,000 and the interest of over \$7,000

that the Friends of the Bridge owe to the district. However, the district should not pay or assume the debts of the Friends of the Bridge when the debtors have no legal claim against the district.

In addition, to avoid similar problems in the future, the district should exercise more prudent control over the actions of the Friends of the Bridge if they ever decide to undertake additional projects.

CHAPTER II
**INFORMATION RELATED TO THE OPERATIONS
OF THE GOLDEN GATE BRIDGE, HIGHWAY
AND TRANSPORTATION DISTRICT**

In response to a request from the Legislature, we gathered the following information related to the district's operations:

- From fiscal year 1982-83 through fiscal year 1986-87, the district used excess bridge-toll revenues to subsidize the bus and ferry services;
- The district adjusts the bus and ferry services to match changing levels of patronage. The district reduced its commuter bus service by 17 percent in July 1987 and 9 percent in July 1986. However, in November 1985, the district increased its ferry service;
- In fiscal year 1986-87, the district paid a total of \$173,200 to members of its board of directors, including \$59,100 for director fees. The district pays \$50 to its members for each day that the members attend a board or committee meeting;
- In Marin and Sonoma counties, the district owns a 2.5 mile section of railroad right-of-way and is attempting to purchase another portion of the remaining right-of-way for future transit use. Currently, the district and other governmental

agencies are studying possible uses for the right-of-way. The right-of-way consists of the railroad tracks and real property located near Highway 101;

- To attempt to accommodate traffic on the bridge, the district changes the bridge's lane directions. However, because the district does not want to penalize one group of travelers for the benefit of another group, the district's policy is not to take a lane away from one direction until the traffic volume in that direction can be accommodated by the remaining lanes.

BRIDGE SUBSIDIES FOR THE BUS AND FERRY SERVICES

From fiscal year 1982-83 to fiscal year 1986-87, the primary sources of funds to support the operations of the district were toll revenues from the bridge, passenger fares from the bus and ferry services, and operating assistance from the state and federal government. Toll revenues from the bridge exceeded bridge expenditures. The district used the excess toll revenues to subsidize the bus and ferry services.

Subsidies from the bridge provided over \$44.6 million for the bus service and \$14.6 million for the ferry service. Table 1 shows the amount of bridge subsidies that the bus and ferry services received annually, the amount that the bus and ferry services spent annually, and the percentage that the subsidies represented of total expenses for the bus and ferry services.

TABLE 1
ANNUAL BRIDGE SUBSIDIES FOR THE BUS AND FERRY SERVICES
AND THE PERCENT THAT THE SUBSIDIES REPRESENTED
OF TOTAL EXPENSES FOR THE SERVICES
FISCAL YEAR 1982-83 THROUGH FISCAL YEAR 1986-87
(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Bridge Subsidy</u>	<u>Expenses</u>	<u>Percent of Total Expenses</u>
Bus Service			
1986-87*	\$10,450	\$ 30,170	35
1985-86	9,114	30,711	30
1984-85	6,622	29,339	23
1983-84	9,602	29,267	33
1982-83	<u>8,881</u>	<u>28,728</u>	31
Total	<u>\$44,669</u>	<u>\$148,215</u>	30
Ferry Service			
1986-87*	\$ 2,857	\$ 7,862	36
1985-86	3,132	7,792	40
1984-85	2,514	6,815	37
1983-84	2,836	6,287	45
1982-83	<u>3,298</u>	<u>6,347</u>	52
Total	<u>\$14,637</u>	<u>\$ 35,103</u>	42

*The figures for fiscal year 1986-87 are unaudited.

Source: The Golden Gate Bridge, Highway and Transportation District.

As Table 1 shows, expenses for the bus and ferry services increased from fiscal year 1982-83 to fiscal year 1986-87. Bus service expenses increased 5.0 percent from over \$28.7 million to \$30.2 million, and ferry service expenses increased 25.4 percent from over \$6.3 million to over \$7.9 million.

Bridge expenses have increased 30.9 percent from approximately \$11.7 million to \$15.4 million. Table 2 shows the annual expenses for the bridge from fiscal year 1982-83 through fiscal year 1986-87.

TABLE 2
ANNUAL EXPENSES FOR THE BRIDGE
FISCAL YEAR 1982-83 THROUGH FISCAL YEAR 1986-87
(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Expenses for the Bridge</u>
1986-87*	\$15,379
1985-86	15,642
1984-85	13,575
1983-84	13,374
1982-83	11,747

*The figure for fiscal year 1986-87 is unaudited.

Source: The Golden Gate Bridge, Highway and Transportation District.

Further, from fiscal year 1982-83 to fiscal year 1986-87, revenues for the bridge and for the bus and ferry services increased. As Table 3 shows, bridge revenues increased 11.3 percent from approximately \$25.3 million in 1982-83 to \$28.2 million in 1986-87. Bus service revenue decreased from approximately \$19.8 million to \$19.7 million. Ferry service revenues increased 64.2 percent from approximately \$3.0 million to \$5.0 million.

TABLE 3
ANNUAL REVENUES FOR THE BRIDGE AND THE FERRY AND BUS SERVICES
FISCAL YEAR 1982-83 THROUGH FISCAL YEAR 1986-87
(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Bridge</u>	<u>Bus Service</u>	<u>Ferry Service</u>
1986-87*	\$28,160	\$19,720	\$5,005
1985-86	26,800	21,597	4,660
1984-85	26,806	22,717	4,301
1983-84	26,010	19,665	3,451
1982-83	25,305	19,847	3,049

*The figures for fiscal year 1986-87 are unaudited.

Source: The Golden Gate Bridge, Highway and Transportation District.

CHANGES IN THE BUS
AND FERRY SERVICES

In fiscal year 1982-83, nearly 11.0 million people used the district buses. However, by fiscal year 1986-87, the number of people riding the buses had decreased to approximately 8.0 million, representing a decrease of over 27 percent from 1982-83. Meanwhile, ridership on the district's ferries has increased by approximately 348,000 (32 percent) from fiscal year 1982-83 through fiscal year 1986-87. The number of ferry riders was over 1.4 million for fiscal year 1986-87 compared with approximately 1.1 million in fiscal year 1982-83. Table 4 shows the number of persons who rode the buses and ferries from fiscal year 1982-83 through fiscal year 1986-87.

TABLE 4
NUMBER OF PERSONS WHO RODE THE
DISTRICT'S BUSES AND FERRIES ANNUALLY
FISCAL YEAR 1982-83 THROUGH FISCAL YEAR 1986-87
(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Bus Ridership</u>	<u>Ferry Ridership</u>	<u>Total Ridership</u>
1986-87	7,997	1,436	9,433
1985-86	8,712	1,279	9,991
1984-85	8,655	1,156	9,811
1983-84	9,712	1,025	10,737
1982-83	10,988	1,088	12,076

Source: The Golden Gate Bridge, Highway and Transportation District.

Reductions in the Bus Service

In February 1987, the district proposed to reduce its commuter bus service by 17 percent in Marin, Sonoma, and San Francisco counties by eliminating 2 bus routes and 84 bus trips. The district proposed the reduction because weekday bus ridership declined system-wide by 8 percent between July and December 1986 compared with the same period in fiscal year 1985-86. In January 1987, the district reported that its commute buses operated with over 3,000 empty seats each morning and evening. Further, the bus ridership level on the routes that were to be reduced was generally below 60 percent of seating capacity while the district standard is 80 percent of seating capacity. For example,

Route 30, which operates between San Rafael and the financial district of San Francisco, had a ridership level of only 44 percent. As a result, the district proposed to reduce the number of trips on Route 30 from eight to four. The district estimated that this reduction in service would raise the bus ridership level to 66 percent. Although this percentage is lower than the 80 percent standard, it is well above the previous percentage.

Federal regulation requires a public hearing when a transit system that receives federal funds makes any change of 25 percent or more in the number of route miles or when a new route is established. Further, federal regulation requires a public hearing when a transit system makes any headway adjustments of over five minutes during peak hours and any headway adjustments of over 15 minutes during nonpeak hours. Headway is the time difference between two buses on a particular route.

In March 1987, the district held a public hearing on the proposed bus changes. The district received 29 letters from concerned citizens about the proposed changes, and, during the hearing, 15 concerned citizens presented testimony. In May 1987, the district's board of directors adopted the bus reductions, and, in July 1987, the district implemented the changes.

In addition, in July 1986, the district reduced commuter bus services by approximately 9 percent in Marin, Sonoma, and San Francisco

counties because bus ridership had declined. The district eliminated 34 bus trips and changed 4 bus routes. Twelve of the routes that were affected required a public hearing. For the 12 routes, the district held hearings in August and September 1986. Also, in September 1986, the district's board of directors approved the permanent reductions.

Expansion of the Ferry Service

In September 1985, the district held a public hearing on proposed increases in its ferry service, and, in October 1985, the district's board of directors approved the increases. Consequently, in November 1985, the district expanded the ferry service by 44 percent by adding a vessel to its Larkspur service. This additional vessel increased weekday crossings between Larkspur and San Francisco from 18 crossings to 26. Also, the district authorized year-round weekend service between Larkspur and San Francisco.

COMPENSATION AND BENEFITS PAID FOR THE DISTRICT'S BOARD OF DIRECTORS

Section 27149 of the California Streets and Highways Code entitles each of the 19 members of the district's board of directors to receive \$50 for attending each board and committee meeting. However, no member may receive more than \$5,000 annually, except the president of the board, who can receive up to \$7,500 annually.

For its board of directors, the district paid director fees, fringe benefits, and travel expenses totaling \$173,200 in fiscal year 1986-87 and \$178,500 in fiscal year 1985-86. Table 5 shows the district's expenses for its board of directors for these two years.

TABLE 5
THE DISTRICT'S EXPENSES FOR
ITS BOARD OF DIRECTORS
FISCAL YEARS 1986-87 AND 1985-86

<u>Expenses</u>	<u>Amount</u> <u>1986-87</u>	<u>Percent</u> <u>1986-87</u>	<u>Amount</u> <u>1985-86</u>	<u>Percent</u> <u>1985-86</u>
Director fees	\$ 59,100	34	\$ 56,100	31
Medical and life insurance	48,700	28	56,600	32
Board meeting travel	44,800	26	40,700	23
Other travel	<u>20,600</u>	<u>12</u>	<u>25,100</u>	<u>14</u>
Total	<u>\$173,200</u>	<u>100%</u>	<u>\$178,500</u>	<u>100%</u>

Source: The Golden Gate Bridge, Highway and Transportation District.

During 1986-87 and 1985-86, none of the directors received fees that were more than the maximum amount allowed by the California Streets and Highways Code. In fiscal year 1986-87, directors received a total of \$59,100, or an average of approximately \$2,800. The fees ranged from a low of \$350 for a newly appointed director to a high of \$4,350 for a full-year member.

Director fees were based on the attendance of the member at board and committee meetings. In fiscal years 1986-87 and 1985-86, attendance at board and committee meetings averaged 79 percent for all board members. The directors normally met for board meetings twice monthly. In addition to board meetings, the board had 8 committees that met monthly, semimonthly, or as needed. Occasionally, committee meetings were held on the same day as the board meetings or other committee meetings. However, when two meetings occurred on the same day, the directors who attended received only \$50 for the entire day.

In addition to director fees, the district paid a total of \$48,700--an average of \$2,320 to each board member--for medical and life insurance in 1986-87. The medical insurance includes coverage for hospital stay, surgery, and dental and vision care. In addition, the district's life insurance benefits pay \$10,000 in the event of the death of a board member.

Further, Section 27149 of the California Streets and Highways Code entitles each board member to receive reimbursement for necessary travel expenses incurred during the performance of board duties. The district paid a total of \$131,200 in travel expenses for its board members during fiscal years 1986-87 and 1985-86. Travel expenses for board meetings generally consisted of transportation, lodging, and meal expenses for board members who do not live in the Bay area. During fiscal year 1986-87, eight directors did not request travel expenses for travel to meetings of the board or its committees. Other travel

expenses include transportation, lodging, and meal expenses for members who attended meetings outside the Bay area. These meetings included meetings of the American Public Transit Association and the International Bridge, Tunnel, and Turnpike Association.

ACQUISITION OF THE RAILROAD RIGHT-OF-WAY IN MARIN AND SONOMA COUNTIES

The district owns a 2.5 mile section of railroad right-of-way in Marin County and wants to purchase a portion of the remaining right-of-way in Marin and Sonoma counties to preserve the property for future transit use. The 2.5 mile section of the right-of-way and the portion that the district wishes to purchase consist of railroad tracks and real property located near Highway 101. The entire right-of-way generally follows the route of Highway 101 from Corte Madera in Marin County to Arcata in Humboldt County.

In a report to the district, transportation consultants stated that the right-of-way is well-situated to provide direct access to nearly every major employment center in Marin and Sonoma counties. Further, the consultants stated that almost every major shopping center, industrial park, and office complex in the two counties is located adjacent to the right-of-way. Meanwhile, portions of Highway 101 have severe stop-and-go traffic conditions, and long delays are frequent during peak commute periods. The district believes that the use of the right-of-way will reduce congestion on Highway 101.

While the district wants to purchase a portion of the remaining right-of-way for future transit use, the district has not decided what type of transit service to use on the right-of-way. Currently, several governmental agencies, including Marin County, the Marin County Transit District, the City of San Rafael, the Sonoma County Transit District, the City of Santa Rosa, the California Department of Transportation, and the district are evaluating possible uses of the right-of-way. The possibilities include the development of a busway, light rail, heavy rail, or a mixed mode of busway and light rail. A study on the use of the right-of-way is due to be completed in May 1988.

The District Acquired 2.5 Miles of the Right-of-Way

As of June 30, 1987, the district owned the 2.5 mile section of the right-of-way that is located between Corte Madera and San Rafael in Marin County. The district acquired the section in two parts. In February 1983, the district paid \$10,000 from its own funds to acquire a one mile section of the right-of-way. In December 1984, the district paid \$1.1 million to acquire the remaining one and one-half miles. Of this \$1.1 million, \$700,000 came from state funds from the California Transportation Commission and \$400,000 came from district funds. In providing the \$700,000 to the district, the commission required that the district either begin construction of a guideway or busway on the right-of-way or execute a contract for the purchase of guideway vehicles by June 30, 1989. (A guideway is any public transit system

that utilizes a separate right-of-way or rail.) If the district does not comply with the requirements, the district must reimburse the State in 1989 at the property's fair market value for that time.

Also, in February 1983, the district acquired an adjacent parcel of land for approximately \$1.28 million of its own funds. The land permits access to the Larkspur ferry terminal from the right-of-way. Table 6 shows the amounts and the sources of the funds that the district used to acquire the right-of-way and the adjacent parcel of land.

TABLE 6
AMOUNTS AND SOURCES OF FUNDS USED TO PURCHASE PORTIONS
OF THE RIGHT-OF-WAY AND AN ADJACENT PARCEL OF LAND

<u>Length and Location of the Right-of-Way</u>	<u>Sources of Funds</u>		<u>Total</u>
	<u>District Funds</u>	<u>State Funds</u>	
One mile section between Corte Madera and San Rafael	\$10,000	--	\$10,000
One and one-half mile section between Corte Madera and San Rafael	400,000	700,000	1,100,000
Parcel of land adjacent to the right-of-way at Larkspur	1,285,000	--	1,285,000

According to its 1987 five-year plan, the district does not plan to begin construction on the right-of-way or purchase guideway

vehicles by June 30, 1989. Unless the district applies for an extension beyond June 1989 and the California Transportation Commission approves the extension, the district is liable for the fair market value of the property purchased with state funds. The deputy director for transit at the commission stated that the commission will not consider granting an extension beyond 1989 until the district submits its request for an extension.

Future Acquisition of a Portion of the Right-of-Way

To purchase additional portions of the right-of-way, the district plans to use federal, state, and local funds. The district plans to use approximately \$19.2 million of federal funds and \$3.53 million of state funds. To receive federal funds, the district must match the federal funds with funds from a nonfederal source such as the district, the State, or the other local governmental agencies. Similarly, to receive state funds, the district must match state funds with local funds.

In February 1986, the California Transportation Commission committed \$700,000 in state funds to the district for the purchase of a portion of the right-of-way between Corte Madera and Novato in Marin County. Again, the commission requires that by June 30, 1989, the district either begin construction of a guideway or busway on the right-of-way or execute a contract for the purchase of guideway vehicles. If the district does not comply with these requirements, it

must reimburse the State at the property's 1989 fair market value. Further, if the district does not use the state funds by June 30, 1990, the funds will not be available to the district. However, the district may apply to the California Transportation Commission for an extension beyond June 30, 1990.

On August 20, 1987, the California Transportation Commission committed an additional \$2.83 million in state funds to the district for the purchase of the remaining section of the right-of-way between Corte Madera and Novato. To receive the state funds, the district must obtain local funding of \$2.83 million and, as with the prior commitment, either begin construction of a guideway or purchase guideway vehicles by June 30, 1989. If the district does not use the funds to purchase the right-of-way by June 30, 1991, the funds will not be available to the district.

In addition to state funds, the district plans to use federal funds to purchase and to develop the right-of-way. Specifically, federal legislation, Public Law 100-17, authorizes the construction of high occupancy vehicle lanes on the right-of-way between San Rafael and Healdsburg.* The purpose of this highway project is to demonstrate the extent to which traffic congestion can be relieved. The federal

*High occupancy vehicle lanes are used by high occupancy vehicles such as buses, carpools, and vanpools.

legislation will provide \$12 million from 1987 through 1991. However, the legislation requires matching funds of \$4.8 million and also requires the federal Secretary of Transportation to provide another \$7.2 million over the same period.

LANE DIVERSIONS FOR TRAFFIC ON THE GOLDEN GATE BRIDGE

The bridge has six lanes to manage traffic in both directions. Normally, the district considers 1,700 vehicles per hour to be the maximum capacity for each bridge lane. However, sometimes the number of vehicles attempting to cross the bridge exceeds the capacity of the bridge's six lanes, resulting in traffic delays on the bridge. When traffic is heavier in one direction than the other, the district may change the number of lanes in one direction to accommodate the heavier traffic.

After a lane change is initiated, it takes district personnel approximately 60 minutes to complete the lane change for the bridge and Doyle Drive. Four district workers move 500 yellow lane markers from Doyle Drive on the south side of the bridge to approximately 1,000 feet north of the bridge. The district workers move the markers along approximately four miles of highway and bridge pavement. Since Doyle Drive is under the jurisdiction of the California Department of Transportation (Caltrans), district personnel change the lane directions in this area under a contract with Caltrans and at the times specified by Caltrans.

According to the president of the board of directors, when changing the direction of the lanes on the bridge, the district does not want to penalize one group of travelers for the benefit of another group. Therefore, the district's policy for changing lane directions on the bridge is not to take a lane away from one direction until the traffic volume in that direction can be accommodated by the two remaining lanes. For example, during the morning commute hours from 6:00 a.m. to 10:00 a.m., traffic is heavier in the southbound direction towards San Francisco than the northbound direction towards Marin County. Consequently, the district changes the lane configuration from three lanes in each direction to two lanes northbound and four lanes southbound. Conversely, the district changes the bridge lane configuration to four lanes northbound and two lanes southbound during evening commute hours, which start at 4:00 p.m and end at 7:00 p.m. Also, before changing the lane configurations, the district considers if there are any special events, such as baseball and football games, that could affect the volume of traffic on the bridge.


During Friday evening commute periods, the district has four lanes northbound and two lanes southbound. However, because of the increase in traffic southbound and the slowdown caused by a different toll amount on Fridays, traffic moving southbound is sometimes delayed. When this delay occurs, the district begins to change the number of lanes to three lanes in each direction at approximately 6:00 p.m. On Saturdays, the district normally has three lanes northbound and three southbound since, according to the bridge manager, the volume of traffic is almost equal in each direction.

At midday on Sundays, the lane configuration is three lanes in each direction. Northbound traffic is heavier early in the day with southbound traffic increasing in the late afternoon. The district changes the lane configuration to four lanes southbound and two lanes northbound as soon as the northbound traffic volume decreases to an hourly rate of less than 3,400 vehicles. According to the district's bridge manager, if the lane configuration is changed too early, northbound traffic quickly backs-up on the roads approaching the bridge.

During weekend periods such as Friday evenings and Sunday afternoons, district personnel determine traffic volumes in both directions by manually counting the number of vehicles in six-minute intervals and then multiplying the count by ten to determine the equivalent hourly count. Recently, the district installed automatic counting equipment to monitor traffic in both directions, and the district's bridge manager stated that the equipment will be operational in September 1987. Also, the district's bridge manager stated that the equipment will give exact counts of the number of vehicles in each lane. With the more accurate and more frequent counts of vehicles, the district believes that it will be able to more accurately determine when to change the lane directions on the bridge. However, the bridge manager further stated that traffic congestion will continue to occur because sometimes the number of vehicles attempting to cross the bridge exceeds the bridge's maximum capacity.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Date: September 28, 1987

Staff: Mary P. Noble, Deputy Auditor General
Dore C. Tanner, CPA
Daniel M. Claypool
Matthew Loveland
Keith K. H. Tsukimura
Sandhya Bhate

APPENDIX A

THE FRIENDS OF THE GOLDEN GATE BRIDGE
STATEMENT OF REVENUES AND EXPENSES
DECEMBER 1984 THROUGH JULY 1987
(UNAUDITED)

Revenues	<u>\$ 1,251,532</u>
Contributions and Expenses	
Contributions	
Contributions to the Golden Gate Bridge, Highway and Transportation District	
Bridge lighting project	432,100
Commemorative Garden projects	92,500
Roundhouse video	<u>9,829</u>
Total Contributions	<u>534,429</u>
Expenses	
Salaries and related expenses	381,997
Consulting services	974,484
Fundraising events	68,507
Contract services	50,805
Utilities	60,099
Materials and supplies	43,251
Equipment and equipment rental	33,186
Meetings and travel	15,893
Insurance	1,115
Loan interest	59,372
Public notice advertising	11,159
Production services	1,812
Legal services	11,965
Audit and accounting	2,250
Licensing fees	65,975
Franchise tax refund	(209)
Audio history project	5,678
Video history project	7,400
Museum exhibit	2,500
Certificates for the bridge walk	26,165
Auto expense	<u>366</u>
Total Contributions and Expenses	<u>2,358,199</u>
Excess of Revenues Over (Under) Contributions and Expenses	<u>\$(1,106,667)</u>

Source: The Golden Gate Bridge, Highway and Transportation District

APPENDIX B

THE SAN FRANCISCO SPECIAL EVENTS COMMITTEE
STATEMENT OF DEPOSITS AND EXPENDITURES FOR THE
50TH ANNIVERSARY CELEBRATION OF THE GOLDEN GATE BRIDGE
APRIL 2, 1987 THROUGH SEPTEMBER 15, 1987
(UNAUDITED)

Deposits	<u>\$705,572</u>
Expenditures	
Bridge walk	8,967
Sea parade	1,495
Aviation	89,957
Crissy Field	187,636
Small Marina Green	7,789
Cavalcade of cars	6,025
Large Marina Green	23,621
Great Meadow	10,548
Fireworks	272,871
Fort Point	8,750
Aquatic Park	1,278
All locations	43,779
Miscellaneous	<u>40,251</u>
Total Expenditures	<u>702,967</u>
Excess of Deposits Over (Under) Expenditures	<u>\$ 2,605</u>

Source: San Francisco Special Events Committee

APPENDIX C

THE GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT
SOURCES AND USES OF FUNDS FOR THE
50TH ANNIVERSARY CELEBRATION OF THE GOLDEN GATE BRIDGE
DECEMBER 1984 THROUGH JUNE 1987

Sources of Funds

Donations from the Friends of Golden Gate Bridge

Bridge lighting project	\$ 432,100
Commemorative Garden projects	<u>92,500</u>

Total Donations	<u>524,600</u>
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Transit fare on the day of the celebration	118,600
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Payment of loan and interest by the Friends of the Golden Gate Bridge	527,100
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Estimated loss of toll revenues when the Golden Gate Bridge was closed on the day of the celebration	<u>(60,000)</u>
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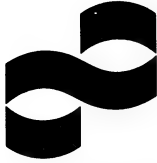
Total Sources of Funds	<u>1,110,300</u>
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Uses of Funds

Installation of the permanent lighting for the Golden Gate Bridge	1,001,300
Restoration of the Roundhouse	179,300
Friendship and Commemorative gardens	255,000
Temporary lighting on the day of the celebration	45,000
Loans to the Friends of the Golden Gate Bridge	700,000
Celebration-day expenses, including administrative and transit costs	<u>149,000</u>

Total Uses of Funds	<u>2,329,600</u>
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Excess of Sources Over (Under) Uses of Funds	<u><u>\$(1,219,300)</u></u>
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GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

CARNEY J. CAMPION
GENERAL MANAGER

September 23, 1987

Mr. Thomas W. Hayes
Auditor General
State of California
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

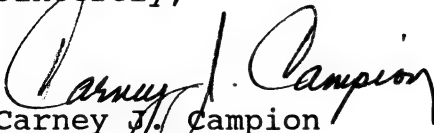
On behalf of President Gary Giacomini, I take this opportunity to respond to your letter to him dated September 17, 1987. We appreciate the opportunity to have reviewed your Draft Audit Report. In keeping with the September 23rd response deadline that you established, we have prepared and enclose the following material for incorporation in the Report:

1. **AGENCY COMMENTS** for insertion commencing on Page S5; and *
2. **APPENDIX TO AGENCY COMMENTS** which we respectfully request be incorporated at the end of your report commencing on Page 48.

We look forward to meeting with representatives of your office during the afternoon of September 23, 1987. At that time we will discuss with them our written comments and will present as well several recommended corrections of the text drafted by your office.

Again, we appreciate this opportunity to have reviewed and commented on your Report.

Sincerely,


Carney J. Campion
General Manager

CJC:jb
Attachments

*For our synopsis of the district's response, please see page S-5 of the summary.

AGENCY COMMENTS

At the outset we would like to address the audit process. The audit team has been sensitive to the need of our agency to carry out its normal business notwithstanding the pendency of the audit which understandably disrupted routine and caused a sizeable time commitment by District management to respond to a variety of inquiries. The audit team was open, friendly and polite during the course of the audit.

The scope of the audit was broad. Virtually all aspects of the District's past, present and planned future activities were reviewed. Our only criticism of the process is that the perspective of the audit does not capture the facts of the 50th Anniversary activities being audited as they existed at the time District decisions had to be made. We believe full consideration of the prevailing conditions, including the political and public pressures and objectives of the Anniversary celebration would have led to a finding that the District acted responsibly and effectively under unusual and difficult circumstances. Instead, the application of 20/20 hindsight, divorced from the reality of the times, characterizes the report's critical comments as they relate to the 50th Anniversary.

With respect to the substance of the report, we note that only three recommendations are made. Moreover, these recommendations pertain only to that portion of the audit addressing the 50th Anniversary celebration. As to the remainder of the extensive array of topics audited involving the District's normal day-to-day activities in the transportation business, no critical comments or suggested changes are presented. Therefore, the report reflects favorably upon the way the District operates and manages these activities.

In the form of an Appendix to the comments we elaborate upon this conclusion by reference to specific topics addressed by the audit. We direct the reader's attention to those more detailed comments which appear at the end of the report.

Turning to the observations of the audit report relating to the 50th Anniversary celebration, the first two recommendations deal with the current indebtedness of the Friends and are entirely in keeping with courses of action that the District had set in motion prior to the audit and presently is following.

As to the third recommendation, we respectfully disagree with the statement that the District failed to "adequately supervise the fiscal transactions of the Friends...." No examples of poor or inadequate fiscal controls are documented by the report. To the contrary, the record is replete with examples of comprehensive fiscal controls that were instituted by the District, including the segregation of accounts and regular preparation and presentation of financial statements to the District's Board. These procedures were reviewed by the independent accounting firm of Deloitte, Haskins and Sells. ①*

The audit report perhaps is implying that because the financial reports reviewed by the District reflected that revenues were not being realized at the rate initially envisioned the District should have "pulled the plug" on the planned events. If this is the conclusion to be drawn from the report, we again respectfully disagree. In point of fact the District reasonably believed, based on reports presented to it from firms experienced in comparable fundraising programs, that sufficient revenues would be generated through corporate sponsorships, licensing of products and sales of goods, to fully finance the Anniversary events.

Significantly, in this regard, the District's conclusions were shared by the Hibernia Bank which, in December 1986, loaned the Friends \$500,000 to enable timely repayment of a loan owed to the District as of December 31st of that year. This loan was made at a time when the Friends' cash flow position was negative. It was also made with the firm understanding that the District would not guarantee or otherwise be liable for the Hibernia loan to the Friends. As a financial institution accountable to shareholders and bank industry regulators, Hibernia's actions expressing confidence in the Friends bolstered the District's own sense of confidence. Particularly since that transaction enabled more than 70% of the District's total loan to the Friends to be repaid, the decision to permit Anniversary plans to continue can be understood and appreciated.

We note as well the sizeable permanent revenue stream to be derived from the renovated Roundhouse facility made possible by the Friends is downplayed in the report. In reality the projected \$150,000 to \$200,000 of annual added income that will be derived from that enterprise not only will ultimately serve to finance the capital projects of the Anniversary but also will be available for future District activities.

*The Auditor General's comments on specific points contained in the district's response begin on page 57.

AGENCY COMMENTS

September 23, 1987

In assailing the Board's financial oversight role, as the audit report does, the report fails to recognize not only the existence, but also the importance of the factors addressed above. Hence, the report offers its readers a rather myopic point of view of the 50th Anniversary.②

According to the report (Page 4), "The primary purpose of this audit was to determine the financial effect of the 50th Anniversary celebration on the district." We offer the following answer to that question:

The 50th Anniversary celebration has not adversely affected the financial affairs of the District nor has it impeded the District from carrying out its normal responsibilities.

The capital projects partially financed by the District, consisting of the Bridge tower lighting, the Roundhouse renovation and the commemorative gardens, constitute permanent improvement of benefit to the District. Those portions of the Roundhouse and garden projects financed by the District were paid for out of restricted museum reserve fund revenues. This reserve fund is derived exclusively from gift center sales as distinguished from toll or fare revenues. The amounts advanced from the museum fund reserve will be recaptured over time from future sales revenues at the Roundhouse. As noted earlier, these sales revenues have escalated significantly (in excess of 460% according to the audit report) largely as a result of the Friends' efforts in effecting the Roundhouse renovation program.

As to the tower lighting project which was partially financed by the District from unrestricted reserves, this work completes the original design of the Golden Gate Bridge as conceived by its architects and engineers more than fifty years ago. Of the total value of this project, which exceeds \$2 million, the District's share amounted to approximately 25%. Significantly the use of District funds for this important undertaking did not cause other budgeted projects to be eliminated or deferred.

With respect to the loans totalling \$700,000 made to the Friends, the first \$200,000 advanced was allocated from the museum reserve. This sum remains due and owing as noted in the audit report. The subsequent \$500,000 advanced by the District to the Friends was derived from unrestricted District reserves. This loan has been fully and timely repaid, however, and the principal sum plus accrued interest has been returned to the District's unrestricted reserves.

AGENCY COMMENTS

September 23, 1987

Finally, we note that the audit request expressed the view that the District probably would be liable for certain debts of the Friends, including its Hibernia Bank loan, on the legal theory of alter ago. The Legislative Counsel, however, has issued an opinion to the contrary, which is consistent with advice previously given to the District Board by its own Attorney. Thus, the District does not contemplate that it will be faced with future exposure arising out of the 50th Anniversary celebration that could jeopardize its financial position. In fact, we remain confident that the financial difficulties encountered by the Friends will be rectified on a sound basis and clearly in a manner that will not involve District participation in the form of use of toll or fare revenues.

We are hopeful that the perspective of the 50th Anniversary celebration that we have offered here, as well as all other comments mentioned in the Appendix will be considered as the audit report is reviewed and analyzed. Be assured that we stand ready to provide any additional information and respond to any further questions if the Committee so desires.

APPENDIX TO AGENCY COMMENTS

Supplementing our initial comments which appear earlier in this document, we offer the following observations which address portions of the report pertaining to the District's transit operations.

First, we observe that the scope of the audit as requested and ultimately conducted was far-reaching with the District's multi-modal operations being closely scrutinized. We note with considerable interest and pride that the only critical observations made in the report were confined to the one-time activities of the 50th Anniversary celebration. The absence of recommendations or critical observations about the Bridge and transit operations reflects favorably upon the way the District operates and manages these activities.

Observations which support this conclusion -- not highlighted in the audit but which relate to subjects covered by the report -- include the following:

1. Bus Service Reductions

With respect to the bus service curtailments experienced during the past two years, we note first that the 17% and 8% reductions cited in the report were not general reductions but applied to commute period services only, and secondly that transit ridership reductions are not unique to this District.③ Sizeable drops in transit ridership have been common throughout the transit industry largely as a result of low gasoline prices that have prevailed in the recent past. The District has acted to conserve its financial resources in light of this lessened demand for bus service. We have been able to offset the bus service reductions to a degree by offering an enhanced level of ferry service, the results of which have led to an increase in ferry commute patronage by 40% over the past two years. During this time the ferry system farebox ratio has risen to 45% and the subsidy per ferry passenger has decreased over 8%.

APPENDIX TO AGENCY COMMENTS
September 23, 1987

Moreover, we are not content to allow the bus system status quo to continue. We are planning, in concert with Marin and Sonoma Counties, service improvements to accommodate new market demands that have been created by the location of many new employment centers in Marin and Sonoma counties. These plans will be jointly developed following public hearings with an implementation target date of July 1, 1988.

It is quite noteworthy that the District, in response to legislative direction, has over the past 17 years managed Golden Gate commute traffic at acceptable levels by diverting substantially all of commuter growth to some form of public transit. We submit that no other Bay Area corridor can document such remarkable success in enticing commuters out of their automobiles. Moreover, this result has been achieved without the benefit of any sales or property taxes levied locally and earmarked for District operations. The offering of choices to motorists -- buses, ferries, club buses, vans and carpools -- goes a long way to explain the District's unique success. The District's results to date reflect a success story, one which the Congress and federal agencies clearly have recognized by their provision of special funding for the District's activities.

2. Rights-of-Way Acquisitions

With regard to the longer-term future, we note the observation in the request for the audit that the District's acquisition and proposed future acquisition of the Northwestern Pacific Railroad Right-of-Way are "manifestly expensive." The audit report does not bear out this observation.

The proposed purchase of the right-of-way between San Rafael and Novato presently under negotiation is entirely consistent with existing federal and state policies which encourage and assist in the funding of acquisition of railroad rights-of-way for mass transit purposes. Building upon the 2.5-mile acquisition between Corte Madera and San Rafael completed in 1985, the District in concert with the counties and cities of the North Bay soon

APPENDIX TO AGENCY COMMENTS
September 23, 1987

will be in a position to provide the public with an alternative to the gridlock that has emerged and which will only worsen on U.S. 101 in the Golden Gate corridor. The cost of these purchases has been and will continue to be modest. The District will leverage its dollars with federal and state funds soon to be made available as a result of the special efforts of the District.

We are cognizant of a current June 30, 1989 deadline to begin construction of a transit system on the right-of-way purchased to date. We also believe that the State of California will recognize the importance of achieving a regional consensus regarding the precise system to be developed. The process now underway to reach decisions on the system to be built -- bus or rail -- will soon be completed. We anticipate that expeditious action to finance, design and build the chosen mode will follow. We assume as well that the State will modify its program deadlines accordingly.

**AUDITOR GENERAL'S COMMENTS ON THE
GOLDEN GATE BRIDGE, HIGHWAY AND
TRANSPORTATION DISTRICT'S RESPONSE**

① In its response the Golden Gate Bridge, Highway and Transportation District (district) disagrees that it failed to adequately supervise the fiscal transactions of the Friends of the Golden Gate Bridge. However, as our report states on pages 12 and 13, the district allowed the Friends of the Bridge to continue to spend funds and incur debts for the celebration when the district was aware that the Friends of the Bridge were collecting insufficient revenues. Further, the report states that the district was fully aware of the poor financial condition of the Friends of the Bridge because the district maintained the accounting records of the Friends of the Bridge. During the entire period from the inception of the Friends of the Bridge in December 1984 until the day of the celebration on May 24, 1987, the Friends of the bridge never collected enough revenues to pay for their expenses. For example, the master plan estimated that the Friends of the Bridge would raise \$21.9 million. However, only \$1.25 million (6 percent) of the original estimate was actually collected. The district did not request a revised plan for a smaller celebration even though revenues were substantially less than estimated. As of July 31, 1987, the Friends of the Bridge were unable to pay \$1.1 million of liabilities, including \$207,000 million that they owed to the district.

② See note 1 above.

③ Text changed.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps